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DEPT. OF TRANSPORTATION  
DOCKETS

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# Proposal under the Small Community **Air** Service Development Pilot Program

Docket OST-2002-11590-42

From

Santa Maria Public Airport District  
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April 18, 2002

Mr. Matthew C. Harris  
Special Assistant to the Assistant Secretary of Aviation and International Affairs  
Docket Operations and Media management Division  
SVC-124  
Room PL-401  
Department of Transportation  
400 7<sup>th</sup> Street, SW  
Washington, DC 20590

RE: Proposal for the Small Community Air Service Development Pilot Program Docket OST-2002-11590

Dear Mr. Harris:

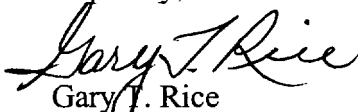
The Santa Maria Public Airport District (SMPAD) would like to take this opportunity to submit its proposal to be considered for federal assistance under the Small Community Air Service Development Pilot Program. SMPAD would like to request a total of \$217,530 from the Pilot Program and would pledge an additional \$24,170 of airport funds for a total of \$241,700 to create an Air Service Development Program. SMPAD will serve as the sponsoring governing agency with the Airport General Manager acting as administrator of the grant.

The Santa Maria Public Airport is located on the Central Coast of California in the City of Santa Maria. The Airport is located in northern Santa Barbara County, about 70 miles north of the City of Santa Barbara, the County Seat, and 30 miles south of the city of San Luis Obispo, the County Seat of San Luis Obispo County.

SMPAD in the past has hosted numerous airlines with several non-stop destinations. Today the airport has only one airline and one destination, and is desperately in need of additional services, which includes additional air carriers and destinations. The steady reduction of air service has been a concern of the Airport's Board of Directors for several years, and they have devoted a great deal of effort and funds to the ongoing problem. The attached proposal addresses the problem, outlines the objectives, and stipulates the requirements to increase airline service at SMPAD.

If you have questions or require additional information please contact Veroneka Reade, Manager of Finance and Administration or me at (805) 922-1726.

Sincerely,

  
Gary J. Rice  
General Manager

**Proposal under the Small Community Air Service Development Pilot Program**  
**Docket OST-2002-11590**  
**Santa Maria Public Airport District**

**Airport History**

The Santa Maria Public Airport is located on the Central Coast of California in the City of Santa Maria. The Airport is located in northern Santa Barbara County, about 70 miles north of the City of Santa Barbara, the County Seat, and 30 miles south of the city of San Luis Obispo, the County Seat of San Luis Obispo County.

The Santa Maria Public Airport was initially constructed by the military in the 1930s on land given to the Air Corp by the City of Santa Maria. Following World War II, in 1946, Santa Barbara County acquired the property, retaining control until 1949 when the City of Santa Maria obtained one-half interest. This double ownership/management was cumbersome to handle. Following a public vote in 1963 the Santa Maria Public Airport District (SMPAD) was formed, and in March of 1964 total management and ownership was finally transferred to the Santa Maria Public Airport District.

The Santa Maria Public Airport District (SMPAD) encompasses a 400 square mile area around the city of Santa Maria. The District residents elect a five-member Board of Directors to govern the Airport District, each member serving a four-year term. The directors then entrust responsibility for the efficient execution of airport policies to the General Manager.

Currently the Santa Maria Public Airport encompasses over 2,500 acres, and is the second largest commercial airport in acreage in the state of California. It is a complete general aviation, corporate and air carrier facility. The facility, while available for air carriers are currently under utilized. There is space available in the terminal for two additional air carriers.

**Air Service Past & Present**

United Express currently provides the only scheduled commercial air services to one market (Los Angeles). Flight frequency to this market currently includes 6 flights Sunday through Friday and 5 flights on Saturday with 30 seat turbo-prop aircraft (Embrarer120). It is difficult to maintain a competitive advantage relating to fares with only one air carrier (see Fare Comparison Matrix of Recent Fares in Top Markets, Attachment 1). This decline in air service has been a particular problem for Santa Maria Public Airport over the years. As little as two years ago nine flights were available, but over the past two years United Express has slowly decreased the number of flights with the last flight being eliminated as a direct result of the events of September 11<sup>th</sup>.

Air Service at the Santa Maria Airport has not always been so limited. From 1975 through 1998 the airport made available to passengers more than two airlines each year with the exception of 1980 and 1981. Jet service was available at the Airport from 1975

though 1978, and four airlines competed to provide service from 1990 to 1994 (See Attachment 2 - History of Air Service at Santa Maria 1975-1998). Santa Maria Airport also offered several destinations in comparison to the one currently being offered. Direct flights were available from Santa Maria Airport to Las Vegas, Los Angeles, Oxnard, Paso Robles, San Francisco, San Luis Obispo, and Santa Barbara.

The year 1987 was the peak year for air taxi operations that include commercial operations by commuter aircraft. Air Taxi operations, however, have declined steadily since the peak year in 1988 (See Attachment 3 – Historical Passenger Enplanements).

Due to this steady decline the SMPAD Board of Directors has been actively involved in the development of air service to the area, and has taken several approaches to increase the level of service. In August of 1995 a Marketing Plan was developed to secure scheduled jet airline service, develop programs to become the dominant airport on the central coast, increase revenue while maintaining a position as a low cost airport, upgrade the airport facilities to meet the needs of new clients, increase awareness level of Santa Maria Public Airport with the airlines, businesses, and the traveling public. A marketing strategy and action plan was established to obtain jet service from a regional airline and identify passenger requirements for new jet service at the Airport. The strategy unfortunately failed to achieve the desired jet service.

When this plan was unsuccessful the SMPAD Board of Directors contracted to have an Air Service Market Analysis performed in May of 1998. The report objectives were to identify Santa Maria's principal geographic service area, its top markets, current airline performance, and recommend several specific programs to follow to secure improved air service. It was felt that in any industry as dynamic as the airline industry, air service improvement opportunities will continually surface, and will need to be evaluated.

An air service profile which included an evaluation of the top 21 markets, an analysis of passenger fares, and a study of airline passenger load factors concluded that a three-year strategy should be implemented. The strategy required substantial support in terms of marketing and community commitment. It was noted at this time that excessively high leakage to other airports was a concern that should be addressed. Phase one incorporated a pursuit of nonstop service to San Francisco with three daily round trips along with an additional daily round trip to Los Angeles. Based on survey findings, San Francisco was the most sought after new destination. Phase two recommended the reinstitution of service to Las Vegas with one daily nonstop round trip. This service was provided as late as 1995 and was very successful. Based on survey responses, it remained a highly desired service. Phase three required requesting from the airlines an addition of two daily round trips in the Sacramento market. While the data from the Air Service Market Analysis supported this additional service the airline community did not, and the service was denied.

In January of 1999 a new program was initiated to raise community awareness and increase enplanements. A three-pronged approach of increased public speaking, radio, and newspaper advertisement was utilized to increase public awareness and encourage

Santa Maria residents to fly from the Santa Maria Airport. A coalition of airline representatives, travel agents, and airport personnel was formed to evaluate the travel needs of the community and to explore methods to eliminate leakage to other airports for travel. This method was employed from January 1999 through June of 1999 and was successful in increasing enplanements over the prior year by as much as **21%**. With the success of this strategy, efforts shifted toward a business plan that would focus on marketing directly to the airline industry.

Therefore, an updated business plan was commissioned to review objectives and strategies of the ongoing struggle to obtain additional air service at the SMPAD that would market directly to the airline industry. It was determined that the objective should be to attract new jet service, achieve a low competitive cost structure without compromising safety and service standards. The plan should also achieve leadership in service, operational performance and innovation for airport operations. The business tactics for the SMPAD Board of Directors centered on;

- Actively recruiting new air service to points not presently served. Placing major emphasis on jet service to a hub airport like San Francisco, Las Vegas, Phoenix, Denver, and Salt Lake City.
- Upgrade the airport facilities to accommodate additional passengers after receiving a firm commitment for new jet service.
- Expand general aviation and corporate aviation capabilities and facilities to meet local demands.

Presentations were prepared providing information regarding the economic growth of Santa Maria, outlining the strengths of Santa Maria Public Airport, and outlining the results of an air service survey to demonstrate community support for additional air service. Staff updates the presentation and this program continues without the aid of a consulting group, but as of today no additional service has been obtained.

Concurrently to the airports efforts to increase air service a local entrepreneur embarked on a venture to form a “home-grown” airline. This effort resulted in a community-based airline, Pacific Skyway, which began service to Las Vegas, Sacramento, and San Jose commencing in August of 1999. The **SMPAD** supported the fledgling airline by deferring landing fees for the period of one year. Pacific Skyway showed a steady increase in enplanements from August 1999 through April 2000. In April enplanements began to decline and the airline showed signs of financial distress. In June of 2000 the SMPAD demonstrated their support by allowing the airline to defer the space rent at the terminal and providing a loan guarantee for a \$150,000 line of credit. The airline’s financial difficulties coupled with the continued decline in enplanements resulted in an inability to continue providing air service. The airline was forced into bankruptcy.

### **Proposed Strategic Plan**

Through trial and error the SMPAD has determined successful means to obtain the goal of increased air service. The objectives of the plan are:

- Actively recruit jet service to areas not currently served.
- Increase service from the current air carrier.
- Attract a new air carrier to stimulate competition thus creating competitive fares.
- Increase community awareness with regard to recruiting air carriers to the area.

The SMPAD has utilized many and varying methods to achieve the above objectives. These methods required a considerable financial investment and did not succeed in adding additional service. The SMPAD is willing to appropriate additional funds to the pursuit of air service, but the resources available are limited. The SMPAD feels that with the assistance of the Small Community Air Service Development Pilot Program funds, continued community support and additional investment by the SMPAD the above objectives will be met within eighteen months.

The methods previously employed separately would have achieved success had they been performed simultaneously and consistently. The key components to a successful plan are:

- Community support and education regarding the process of acquiring additional air service.
- A public-private partnership will be formed to create a travel bank.
- Frequent and Effective Communication with the air carriers.

### **Community Support and Education**

The community will become aware of the importance of flying locally to attain additional air service. **An** emphasis will be placed on the impact of businesses and individuals using competing airports. This strategy should act to increase the travelers currently utilizing the available air service. Air carriers require evidence that there is a market for additional air service and this component of the plan is designed to verify the market exists.

A professional with experience working within the airline industry will be retained to assist in the community education program. This professional will perform a study to determine the number of travelers in the area who travel to airports outside of our area. A community awareness campaign will be instituted to educate the public on the consequences of flying from other communities and the immense benefits of flying from the SMPAD. The campaign, which will be conducted via print, radio, and television, will also contain information regarding the current service at the airport and encourage travelers to utilize that service.

The professional will also be responsible for creating presentations for businesses, service groups and government agencies outlining the travel bank concept and the importance of flying locally. The people/agencies responsible for coordinating travel for Vandenberg Air Force Base, Santa Barbara County, City of Santa Maria, Allan Hancock College (a local junior college) and larger corporations in the area will be presented with this information, and will be educated on the advantages of flying from the Santa Maria Public Airport.

### **Public-Private Partnership**

The SMPAD has been involved informally with coalitions from the community. The professional with experience working within the airline industry hired or retained to assist in the community awareness campaign will also assist in developing a public-private partnership program. This professional will identify individuals who are active in the community and/or are responsible for travel arrangements. These individuals may be leaders in the business community or travel agents. This group will partner with the SMPAD and establish a non-profit organization to establish a travel bank. Money will be pledged and deposited in an account to purchase tickets from a future airline. The money will be held in an escrow account until an airline has committed to provide service to the SMPAD. This will allow the SMPAD to recruit further air service. The travel bank will be another indication that the market exists for additional air service.

The General Manager of the SMPAD will be identified as the community's sponsor to accept program reimbursements as granted through the Small Community Air Service Development Pilot Program. The General Manager will also be responsible to provide updates with regard to the funding in the travel bank, the level of enplanements, the contacts made with air carriers, and the need to modify or discontinue funding. The development time of the program is estimated to be eighteen months.

### **Frequent and Effective Communication With Air Carriers**

The relationships that have already been forged with decision makers at the airlines will be maintained, and nurtured by the SMPAD management. Increased enplanements through the community awareness campaign coupled with the financial commitment demonstrated by the air travel bank will be excellent marketing tools to recruit new air service. Air carriers must be convinced that demand exists for additional service.

The proposed strategic plan to build community support through education, prove community commitment by establishing an agency to administer the travel bank concept, and maintaining frequent and effective dialog with prospective air carriers will net the SMPAD additional air service. Air carriers will be convinced that demand exists for additional service through the evidence of increased enplanements and funds available via the travel bank.

### **Analysis of Funding**

#### Community Support and Education

##### Airline Industry Consultant

Survey to attain Leakage Numbers	\$ 7,000
Community Awareness Campaign Development	\$23,000
Print Advertisement (78 Weeks)	\$27,300
Radio Advertisement (78 Weeks)	\$42,900
Television Advertisement (78 Weeks)	\$58,500
Presentations to Community Groups	<u>\$10,000</u>

Total Community Support Program	\$168,700
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#### Funding:

DOT Grant	\$151,830
Co-Sponsor (SMPAD)	\$ 16,870

#### Public-Private Partnership

##### Airline Industry Consultant

Establish Non-Profit Corporation (Legal Fees)	\$9,000
Establish Travel Bank (Consultant Fees)	
<u>\$43,000</u>	

Total Public Private Partnership	\$52,000
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#### Funding:

DOT Grant	\$46,800
Co-Sponsor (SMPAD)	\$ 5,200

#### Frequent and Effective Communication With Air Carriers



Travel Expenses to Visit Air Carriers	\$ 8,500
Air Carrier Specific Presentations	<u>\$12,500</u>
Total Communication Costs	\$21,000

Funding:

DOT Grant	\$18,900
Co-Sponsor (SMPAD)	\$ 2,100

**Summary**

The SMPAD is requesting \$217,530 from the Pilot Program funds and has budgeted \$24,170 for a total of \$241,700 to institute a carefully planned program to attain additional air service. This program will require a community effort and require an airline industry specialist. The SMPAD will demonstrate its ability to build a market for additional air service and convey this information to the airline industry.

## FARE COMPARISON MATRIX OF RECENT FARES IN TOP MARKETS

Based on Round Trip Fares

Market	Santa <u>Maria</u>	San Luis <u>Obispo</u>	Santa Barbara
San Diego	\$ 331.00	\$ 286.00	\$ 312.00
Denver	\$ 580.60	\$ 286.00	\$ 532.50
San Francisco	\$ 296.50	\$ 242.50	\$ 234.50
<b>Los</b> Angeles	\$ 222.00	\$ 185.00	\$ 206.52
Sacramento	\$ 274.00	\$ 335.00	\$ 287.50
New York	\$ 577.00	\$ 386.00	\$ 386.00
Phoenix	\$ 274.00	\$ 226.00	\$ 206.00

21 day advance purchase; Saturday night stay.

Prices as of April 12, 2002

Depart date Friday, May 17,2002; Return date Sunday May 19, 2002

## History of Air Service at Santa Maria

1975 - 1998

August	SMX Carriers		To Santa Maria From (Weekly Nonstop Flights)												
			LAS	LAX	OXR	PRB	SBA	SBP	SCK	SFO	SJC	Total			
1975	Jet:	RW	0	2	7	0	0	0	0	7	7	0	4	1	
	Prop:	WI	0	3	8	0	0	0	0	0	0	3	8		
	Total		0	6	5	0	0	0	0	7	7	0	7	9	
1976	Jet:	RW	0	1	4	0	0	0	0	0	0	1	4		
		WI	0	3	8	0	0	0	0	0	0	3	8		
	Total		0	5	2	0	0	0	0	0	0	0	5	2	
1977	Jet:	RW	0	1	4	0	0	0	0	0	0	1	4		
		WI	0	31	0	0	0	0	0	0	0	31			
	Total		0	4	5	0	0	0	0	0	0	0	4	5	
1978	Jet:	RW	0	1	4	0	0	0	0	0	0	1	4		
		WI	0	3	6	0	0	0	0	0	0	3	6		
	Total		0	5	0	0	0	0	0	0	0	5	0		
1979	Prop:	ID, OO, WI	0	85	0	0	13	0	0	13	0		111		
1980	Prop:	WI	0	51	0	0	0	0	0	0	0	5	1		
1981	Prop:	WI	0	2	8	0	0	0	0	0	5	7	4	0	
1982	Prop:	ID, OO, RM	0	83	0	0	17	89	0	0	0		189		
1983	Prop:	OO, RM	0	127	13	0	14	57	0	0	0		211		
1984	Prop:	OO, RM	0	120	6	0	0	76	0	6	0		208		
1985	Prop:	OO, RM	0	133	4	0	6	6	5	0	1	0	209		
1986	Prop:	AA*, UA*, WA*	0	91	7	0	7	5	1	0	27	0	183		
1987	Prop:	AA*, DL*, UA*	10	94	7	32	13	69	0	27	0		252		
1988	Prop:	AA*, DL*, UA*	0	8	6	0	0	4	6	0	7	0	1	3	9
1989	Prop:	AA*, DL*, UA*	0	91	0	0	0	0	0	12	27		130		
1990	Prop:	AA*, DL*, RM, UA*	7	96	0	0	0	10	0	26	0		139		
1991	Prop:	AA*, DL*, RM, UA*	7	96	0	0	0	16	0	20	0		139		
1992	Prop:	AA*, DL*, RM, UA*	7	8	9	0	0	1	4	0	0	0	1	1	0
1993	Prop:	AA*, DL*, RM, UA*	0	127	0	0	0	21	0	1	0		149		
1994	Prop:	AA*, DL*, RM, UA*	7	121	0	0	0	1	4	0	0	0	1	4	2
1995	Prop:	AA*, DL*, UA*	7	1	3	7	0	0	0	0	0	0	1	4	4
1996	Prop:	DL*, UA*	0	9	8	0	0	0	0	0	0	0	9	8	
1997	Prop:	DL*, AU*	0	9	6	0	0	0	0	0	0	0	9	6	
1998 (March)	Prop:	UA*	0	4	8	0	0	0	0	0	0	0	4	8	

Codes

AA\* American Eagle Airline (Wings West), DL\* Delta Connection (Skywest), ID Apollo Airways, OO Sun Air Lines  
 RM Wings West, RW Hughes Airwest, UA\* United Express (Mesa, Skywest, Westair), WI Swift Air Lines

Source: Official Airline Guide, August 1975-1997 and March 1998

## Historical Passenger Enplanements Santa Maria Public Airport

Year	Air Carrier	Commuter	Total
1976	20,394	15,979	36,373
1977	20,138	17,096	37,234
1978	21,845	21,035	42,880
1979	5,624	38,027	43,651
1980	34,163	34,236	68,399
1981	17,783	7,961	25,744
1982	8,744	20,395	29,139
1983	1,187	61,341	62,528
1984	2,525	64,102	66,627
1985	1,072	54,434	55,506
1986	544	44,655	45,199
1987	1,163	45,645	46,808
1988	3,836	37,103	40,939
1989	6,450	28,199	34,649
1990	7,761	32,968	40,729
1991	9,242	38,610	47,852
1992	6,717	37,105	43,822
1993	3,977	43,851	47,828
1994	1,467	53,365	54,832
1995	3,386	57,680	61,066
1996	3,735	50,440	54,175
1997	2,192	51,889	54,081
1998	2,046	40,274	42,320
1999	1,608	29,564	31,172
2000	1,332	44,371	45,703

**SANTA MARIA PUBLIC AIRPORT DISTRICT  
BUDGET  
For the Fiscal Year Ended June 30,2000**

<b>Revenues</b>	<b>06/30/00 Budget</b>
Total Landing Fees	44,935.00
Total Tiedowns	4,500.00
Commercial Vehicle Total	15,277.00
Total Fuel Flowage Fees	76,000.00
Total T-Hangar Revenue	165,803.00
Total T- Hangar Storage Revenue	12,096.00
Total Corporate Hangars Revenue	68,302.00
Total Private Hangar Revenue	6,576.00
Total Main Hangar Revenue	68,935.00
Corporate Hangar Revenue	194,093.00
Terminal Revenue	232,810.35
Revenue Generating Land Total	197,414.00
Other Income	376,487.00
Total Operating Income	<u>1,463,228.35</u>
<b>Expenses</b>	
Total Expenses Landing Area	28,400.00
Total Hangar Area Expenses	53,350.00
Total Terminal Expenses	106,730.00
Total Revenue Generating Land Expense	11,400.00
Total Benefit and Payroll Expense	677,848.44
Total Utilities	52,750.00
Supplies	41,100.00
Building Maintenance	1,950.00
Equipment Maintenance	34,500.00
Contractual Services Expense	300,485.00
Office Supplies/Postage/Printing and Stationery	20,900.00
Dues and Subscriptions	8,850.00
Advertising Expense	27,250.00
Depreciation - Landing Area	1,000,000.00
Insurance Expense	75,385.15
Total Miscellaneous Expense	160,194.00
Total Expenses	<u>2,601,092.59</u>
Total Operating Gain/(Loss)	<u>(1,137,864.24)</u>
Non Operating Revenue	
interest Income	390,000.00
Total AIP Reimbursement	460,600.00
Total Tax Revenues	525,000.00
Total Non Operating Revenue	<u>1,375,600.00</u>
Gain/(Loss)	<u>237,735.76</u>

**SANTA MARIA PUBLIC AIRPORT DISTRICT  
BUDGET  
For the Fiscal Year Ended June 30,2001**

**Budget  
06130101**

**Revenues from Operations**

Landing Area	134,979
Hangar Area	321,672
Main hangar and F.B.O.	266,364
Terminal Area	278,239
Revenue Generating Land	512,240
Public Administration	5,300

<b>Total revenues from operations</b>	<b>1,518,794</b>
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**Operating Expenses:**

Landing Area	29,032
Hangar Area	49,230
Main Hangar and F.B.O.	35,555
Terminal Expense	164,874
Revenue Generating Land	10,110
Payroll and Benefits	664,751
Utilities	54,592
Supplies	32,850
Maintenance and Repairs	29,875
Contractual Services	201,460
Office Supplies/Postage/Printing and Stationery	24,300
Dues and Subscriptions	10,680
Advertising	58,162
Depreciation	1,132,724
Insurance	87,063
Other Miscellaneous Expense	168,625

<b>Total Operating Expenses</b>	<b>2,753,882</b>
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<b>Operating Gains/(Loss)</b>	<b>(1,235,087)</b>
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**NON-OPERATING REVENUES**

Foreign Trade Zone Revenues	0
Interest Income	400,000
AIP Reimbursement	500,000
Tax Revenues	580,000

<b>TOTAL NON-OPERATING INCOME</b>	<b>1,480,000</b>
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<b>NET GAIN/(LOSS)</b>	<b>244,913</b>
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**SANTA MARIA PUBLIC AIRPORT DISTRICT**  
**PROPOSED BUDGET**  
**For the Fiscal Year Ended June 30,2002**

	<b>Budget 06/30/02</b>
<b>Revenues from Operations</b>	
Landing Area	136,932
Hangar Area	369,928
Main Hangar and F.B.O.	303,688
Terminal Area	315,725
Revenue Generating Land	521,497
Public Administration	6,300
 Total revenues from operations	 <u><b>1,654,069</b></u>

**Operating Expenses**

Landing Area	30,320
Hangar Area	65,116
Main Hangar and F.B.O.	41,550
Terminal Expense	183,498
Revenue Generating Land	16,835
Payroll and Benefits	640,201
Utilities	53,030
Supplies	36,050
Maintenance and Repairs	26,375
Contractual Services	197,570
Office Supplies/Postage/Printing and Stationery	22,590
Dues and Subscriptions	7,468
Advertising	60,500
Depreciation	1,188,430
Insurance	60,355
Other Miscellaneous Expense	<u>156,350</u>
 <b>Total Operating Expenses</b>	 <u><b>2,786,238</b></u>
 <b>Operating Gains/(Loss)</b>	 <u><b>(1,132,168)</b></u>

**NON-OPERATING REVENUES**

Interest Income	400,000
AIP Reimbursement	1,345,482
Tax Revenues	<u>650,000</u>
 <b>TOTAL NON-OPERATING INCOME</b>	 <u><b>2,395,482</b></u>
 <b>NET GAIN/(LOSS)</b>	 <u><u><b>1,263,314</b></u></u>